

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE

SOUTHERN DISTRICT OF GEORGIA  
Waycross Division

In the matter of:

FULL VIEW DAIRY, INC.  
BOWEN DAIRY FARM,  
MARVIN E. BOWEN, JR.,  
LINDA K. BOWEN,  
MARVIN E. BOWEN, SR.,  
GENEVA K. BOWEN,  
WILLIAM MICHAEL BOWEN,  
TERRY LYNN BOWEN

Debtors

Chapter 12 Case

Number 87-50010

**FILED**

at 10 O'clock & 55 min A M

Date 5-31-90 CR

MARY C. BECTON, CLERK  
United States Bankruptcy Court  
Savannah, Georgia

**MEMORANDUM AND ORDER**  
**ON MOTION FOR DETERMINATION OF SECURED STATUS**  
**FILED BY THE FEDERAL LAND BANK OF COLUMBIA**

The above Motion was the subject of a hearing in Waycross, Georgia, on February 13, 1990. Based on the evidence and reference to relevant portions of the file I make the following Findings of Fact and Conclusions of Law.

The Federal Land Bank of Columbia ("Federal Land Bank") holds the first mortgage on certain real estate of the Debtor valued at \$105,000.00. The real estate is subject to a second mortgage in favor of the Farmers Home Administration. Federal Land Bank filed a proof of claim revealing a pre-petition indebtedness of

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\$24,139.71. That claim was for the pre-petition debt owed by the Debtors as of the date of filing which was January 20, 1987. The plan was confirmed by an Order of this Court dated April 19, 1989. At that time the allowed secured claim of the Southeast Georgia Federal Land Bank set forth in the plan was \$24,177.02 which was to be paid, together with interest at a rate of 11 and 3/4 per cent at a rate of \$250.00 per month.

The Motion before me now asserts that between the date of filing and the date of confirmation accrued interest had increased the allowed amount of the claim to the sum of \$28,528.00 and because the property securing the Federal Land Bank claim is worth more than the amount of the claim the Federal Land Bank seeks allowance of this additional accrued interest through confirmation. This would bring its secured claim to \$28,528.00 plus interest at 11 and 3/4 per cent over the life of the plan based on Federal Land Bank's reading of 11 U.S.C. Section 506(b). I have carefully considered Section 506 and concluded that it might authorize the result sought by The Federal Land Bank. 11 U.S.C. Section 502(b) provides when objections to claims are heard that the Court shall

. . . determine the amount of such claim as of the date of filing of the petition and shall allow such claim in lawful currency of the United States . . . except to the extent that--

(2) such claim is for unmatured interest.

This section makes it clear to me that the allowed amount of the secured claim is the net principal balance as of the date of filing which in this case would be the sum of \$24,177.02. It would be an impermissible allowance of unmatured interest for post-petition interest to be allowed to the secured claim of the Federal Land Bank, but for Section 506(b). That section provides that if an allowed secured claim is secured by property which exceeds the amount of the claim such creditor may also receive interest on the claim together with reasonable fees, costs, or charges provided for under the agreement. Thus with respect to an oversecured creditor, the Code contemplates that post-petition interest may be allowed to accrue. The result is different with respect to an undersecured creditor, however. Such a creditor has an allowed secured claim only to the extent of value in the collateral and is entitled to no interest on the amount of that claim prior to confirmation pursuant to 11 U.S.C. Section 1225(a)(5)(B)(ii).

-However, 11 U.S.C. Section 1227 provides that the provisions of a confirmed plan are binding on the debtor and all creditors whether or not such claim is provided for by the plan. While the oversecured status which the Land Bank enjoyed and the provisions of Section 506 would have permitted it at confirmation

to a determination that its claim should be increased to \$28,528.00, that objection was not asserted and I therefore conclude that the provisions of Section 1227 bind the Land Bank. Therefore, the Land Bank retains an allowed secured claim in this case in the amount of \$24,177.02 plus interest at the rate of 11 and 3/4 per cent payable at a rate of \$250.00 per month until all principal and future interest is paid in full.



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Lamar W. Davis, Jr.  
United States Bankruptcy Judge

Dated at Savannah, Georgia

This 30<sup>th</sup> day of May, 1990.